

Message Text

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PAGE 01 JIDDA 04440 310512Z

21

ACTION SS-30

INFO OCT-01 ISO-00 /031 W

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R 310500Z JUL 74

FM AMEMBASSY JIDDA

TO SECSTATE WASHDC 8090

INFO AMEMBASSY LONDON

AMEMBASSY ABU DHABI

AMEMBASSY BRUSSELS

AMEMBASSY BEIRUT

AMEMBASSY KUWAIT

AMEMBASSY TEHRAN

AMEMBASSY PARIS

C O N F I D E N T I A L JIDDA 4440

EXDIS

DEPT PASS TREASURY FOR SIMON

E.O.: 11652: GDS

TAGS: ENRG, SA

SUBJ: NEGOTIATIONS AND STATUS FOR ARAMCO

1. I SAW YAMANI AGAIN LAST NIGHT (JULY 29) AND ASKED HIM ABOUT THE FORTHCOMING NEGOTIATIONS WITH ARAMCO. HE SAID NONE WAS SCHEDULED. HE HAD RAISED THE MATTER WITH THE COMPANIES, THEY KNEW HIS VIEWS AND HE WOULD "NEVER" MENTION THE SUBJECT TO THEM AGAIN. HE IS PERFECTLY CONTENT, HE SAID, TO MAINTAIN THE 60/40 RELATIONSHIP BUT HE "KNOWS" THAT KUWAIT WILL NATIONALIZE SOON. AS SOON AS IT DOES SAUDI ARABIA, UNDER THE MOST FAVORED NATION AGREEMENT, WILL NATIONALIZE ON THE SAME TERMS. IRAN WILL ALSO GET THE SAME INCOME PER BARREL AS THE MAJOR ARAB OIL PRODUCERS.

2. COMMENT: WE SEE NOTHING THAT THE COMPANIES COULD LOSE BY ACCEPTING YAMANI'S INVITATION TO COME TO SAUDI ARABIA TO DISCUSS A NEW RELATIONSHIP. IN FACT, THERE IS MUCH
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THEY COULD GAIN. YAMANI, WE STILL BELIEVE, WOULD BE

AMENABLE TO DISCUSSING ANY REASONABLE PROPOSALS MADE BY THE COMPANIES. WE DO NOT BELIEVE, HOWEVER, THAT IT WOULD BE TACTICALLY WISE FOR THE COMPANIES TO ASK FOR THE MOON, BUT SHOULD BE SATISFIED WITH SOMETHING NOT TOO MUCH GREATER THAN THEIR PROFIT MARGIN BEFORE THE RECENT PRICE INCREASES. IN OTHER WORDS, THEIR INITIAL OFFER SHOULD BE QUITE CLOSE TO THEIR FINAL OFFER. BUT WHATEVER IT IS, WE HOPE THE DEPARTMENT OR SECRETARY SIMON, OR BOTH, WOULD URGE THE COMPANIES TO GET OUT HERE WITHOUT DELAY. YAMANI TOLD ME THAT HE NOW PLANS TO BE IN GENEVA FROM AROUND AUGUST 19 THROUGH THE 23RD. HE SAID HE WOULD NOT HAVE MADE THIS COMMITMENT IF THE COMPANIES HAD TOLD HIM THEY HAD ANY INTEREST IN BEING HERE AT THAT TIME. THE TIME HE HAS FREE FOR THEM IS NOW LIMITED TO THE FIRST TWO AND A HALF WEEKS AND LAST WEEK IN AUGUST.

AKINS

NOTE BY OC/T: NOT PASSED TREASURY.

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